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Zen and the Art of School Funding: An Inquiry into the 2015-2016 School Funding Interim Commission

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“Because the Constitution mandates that the Legislature provide a quality education, we determine that the Legislature can best construct a ‘quality’ system of education if it first defines what is a ‘quality’ system of education.”

Columbia Falls Elementary School District No. 6 v. State
Montana Supreme Court, 2005

In the late 1950s author Robert Pirsig was teaching writing at then Montana State College in Bozeman. His duty was to develop “quality” writing skills in his students, but he was profoundly troubled that the college provided no definition of “quality.” Pirsig spent a large part of his life developing a “Metaphysics of Quality,” which he introduced and explored in his 1974 philosophical novel *Zen and the Art of Motorcycle Maintenance*. The book has been on my mind lately for a couple of reasons, and not just because of the decennial school funding study.

First, my wife and I recently replaced our 40-year-old furnace that was perhaps 60 percent efficient with a new 95 percent efficient model. Our fuel bills this past winter were reduced, but there was an increase in the number of mornings I spent on my knees in our basement trying to coax a faulty pressure switch to close, allowing the new furnace to operate. On one of these chilly occasions, I reflected on whether the upgrade was worth it and a faint memory of *Zen and the Art* came to me. My recollection was the book followed two guys on a long motorcycle trip, one who preferred an older bike that required frequent minor maintenance for optimum performance, the other who purchased a new technologically sophisticated bike that he generally didn’t have to attend to at all. The first gentleman was obliged to carry a number of tools and be constantly attuned to the sounds of his machine to ensure its smooth operation; the second carried no tools and didn’t give the operation of his machine much attention at all. I guess it was the irony of the *increased* maintenance required by our new *high-tech* furnace that brought Pirsig to mind.

Anyone who enjoys mechanical tinkering has probably realized that the complexity of new automobiles has basically

relegated them to the sidelines of car repair. A screwdriver and a socket set are likely not going to allow much fine tuning of a vehicle whose operation is dictated by a microchip. One tradeoff in this dynamic has been increased fuel economy, which raises the question: does the maximization of efficiency require complexity? I’m guessing you can sense now the second reason that *Zen and the Art* has been on my mind recently as the legislative research analyst assigned to staff the School Funding Interim Commission.

Montana’s school funding formula is way past basic gas and air carburation; the state has a highly complex, multi-revenue, multi-fund injection system with triggers tied to “anticipated enrollment increases” and even West Texas crude prices as well as adjustments for school district enrollments ranging from a handful of students to over 10,000. There’s an attempt to equalize property tax disparities using local mill subsidies based on the ratio of a district’s taxable value to its number of students. These are just a handful of the myriad calculations that go into a school district budget.

There is quite a bit of joking about the complexity of state school funding formulas, not just in Montana but in a lot of states. But it’s no joke that education is the biggest slice of Montana’s biennial general fund budgetary pie. Knowing more about education funding is important for everyone. If only a handful of elected representatives truly understand Montana school finance, then fiscal oversight and responsibility are diminished, as is democracy generally. If a school funding formula needs to be complicated to maximize efficiency, how can a citizen legislature, which is constitutionally charged with designing and maintaining this funding formula, gain the skills needed to do so?

One way of accomplishing this might be to establish a recurring interim commission charged with taking a deep look at Montana’s school funding formula and reporting its findings and recommendations to the next legislature.

Senate Bill 128 (2015—Hansen) did just that, creating the School Funding Interim Commission and requiring its formation every 10 years beginning with the 2015-2016 interim. The commission has two primary duties:

- conduct a study to reassess the educational needs and costs related to the basic system of free quality public elementary and secondary schools; and
- if necessary, recommend changes to the state’s funding formula for the following legislature.

The 2015-2016 commission is composed of 12 legislators, evenly divided by chamber and party, plus four members of the public.

Senators	Representatives	Public Members
Elsie Arntzen	Jeff Essmann	Dave Lewis
Tom Facey	Debra Lamm	Patricia Hubbard
Kristin Hansen	Don Jones	Renee Rasmussen
Mary Sheehy Moe	Kathy Kelker	TBA
Matthew Rosendale	Edie McClafferty	
TBA	Susan Webber	

SB 128 clarifies a requirement for a study of this kind that was already in law and originated in events leading up to the 2005 legislative session.

Origins of Review

In September 2002 plaintiffs that included a number of school districts, school advocacy groups, and individuals filed a complaint in the First Judicial District Court in Helena challenging the constitutionality of Montana’s school funding formula. This case is known as *Columbia Falls v. State* (or Columbia Falls “1” to distinguish it from a second suit known as Columbia Falls “2”). The trial took place from Jan. 20 to Feb. 4, 2004, and Judge Jeffrey Sherlock issued his decision on April 15, 2004, finding in favor of the plaintiffs, but delaying the effect of his orders by nearly a year and a half until Oct. 1, 2005, in order to “give the [2005 Legislature] ample time to address the very complicated and difficult issues involved in this case.” In his conclusions of law, Judge Sherlock also stated: “To satisfy the Montana Constitution, the State’s school finance system must be based upon a determination of the needs and costs of the public school system, and the school finance system must be designed and based upon educationally-relevant factors.”

Key School Funding Terms and Acronyms

ANB: Average Number Belonging; for budgeting purposes ANB is *roughly* the same as enrollment; however, ANB is inflated by about 4 percent over enrollment to provide funding for professional development days.

GTB: Guaranteed Tax Base; a mechanism that provides a state subsidy to districts or counties whose taxable value per pupil is less than an established threshold.

DSA: Direct State Aid; every district receives 44.7 percent of the district’s basic and per-ANB entitlements from the state as DSA.

NRD: Natural Resource Development payment (*perhaps* affectionately known as the “nerd” payment); a payment to districts to offset local property tax increases that would result from increases to state entitlements.

BASE: Base Amount for School Equity; all districts are required to adopt a general fund budget at the BASE level or higher.

Basic entitlement: A set amount each district includes in its general fund budget; SB 175 (2013) added “increments” so that districts with higher enrollments are funded at a higher level.

Per-ANB entitlement: Roughly a per-student amount each district includes in its general fund budget; a “decree-ment” reduces this amount by 50 cents per high school ANB for each additional ANB up to 800 ANB and by 20 cents per elementary ANB through the 1,000th ANB as a way of addressing “economies of scale.”

QE: Quality Educator; a payment to districts based on the number of qualified teachers employed.

IEFA: Indian Education for All; a per-ANB payment to districts to implement the state’s constitutional commitment in its education goals to the preservation of Indian cultural integrity.

At-risk payment: A lump sum appropriation that is distributed in the same way that federal Title I dollars are distributed to districts, based on the number of children living in poverty in the district.

American Indian Achievement Gap: A payment to districts for every Indian student enrolled in the district for the purpose of closing the achievement gap that exists between Indian and non-Indian students.

Data for Achievement: A per-ANB payment to districts to provide funding for costs associated with data systems.

The state appealed to the Montana Supreme Court and a preliminary finding affirming the district court decision was released in November 2004. School funding was a top priority going into the 2005 session.

In upholding the district court's decision, the Montana Supreme Court stated: "Because the Constitution mandates that the Legislature provide a quality education, we determine that the Legislature can best construct a 'quality' system of education if it first defines what is a 'quality' system of education." The 2005 Legislature was working on fulfilling the orders of both courts in Senate Bill 152.

SB 152 was read across the rostrum on Day 1 of the 59th Legislature and heard two days later in Senate Education and Cultural Resources. As introduced, the bill defined the "basic system" and identified additional "educationally relevant factors" on which the basic system is established. The bill was heavily scrutinized and amended throughout the legislative process, eventually being composed of four substantive sections:

1. A new section, "Legislative goals for public elementary and secondary schools," codified at 20-1-102, MCA. (Amended in 2013—HB 182)
2. A new section, "Basic system of free quality public elementary and secondary schools defined – identifying educationally relevant factors – establishment of funding formula and budgetary structure – legislative review," codified at 20-9-309, MCA. (Unchanged until SB 128—2015)
3. Amendments to 20-1-101, MCA "Definitions" (unchanged since 2005), including additional definitions of
 - a. "Accreditation standards;"
 - b. "At-risk student;"
 - c. "Educational program;"
 - d. "Qualified and effective teacher or administrator;" and
 - e. "Student with limited English proficiency."
4. Amendments to 20-7-101, MCA, "Standards of accreditation," requiring that the Board of Public Education submit any change to the accreditation standards to the Education and Local Government Interim Committee and that ELG request a fiscal analysis of the proposed change from the Legislative Fiscal Division. (Unchanged until 2015 and significantly amended by SB 345)

As it was introduced, SB 152 did not contain a requirement for periodic review of the school funding formula, but legislators added this requirement early in the process with some vacillation between requiring a review every six years and every 10. The Legislature settled eventually on a require-

ment that a reassessment be conducted "at least every 10 years." It was this requirement that SB 128 formalized this past session.

The 2015-2016 School Funding Interim Commission is charged with reassessing the educational needs and costs related to this basic system. *Reassessing* implies that an assessment has taken place previously, and it has.

Despite the hard work of a specially appointed Joint Select Committee on Education Funding that met 3 to 4 days a week throughout the 2005 session, the 2005 Legislature was not able to accomplish the task of redesigning the school funding formula to satisfy the court's order and prior to sine die created the Quality Schools Interim Committee. QSIC had until Dec. 1, 2005, to assess the needs and costs of the basic system, determine the state's share of those costs, construct a funding formula, and prepare the necessary legislation in advance of an expected special session.

It was a busy seven months for all involved. Early in the process, committee members determined to hire a consultant generally to assist in the process and specifically to conduct an assessment of the needs and costs of the newly defined basic system. R.C. Wood and Associates of Gainesville, Fla., was contracted for these purposes. In determining the costs of Montana's K-12 system, R.C. Wood and Associates used four different methodologies common to "costing out" studies:

- "Successful schools" establishes a definition of success, identifies school districts meeting that definition, and then employs expenditure data from those districts to estimate total costs statewide.
- "Professional judgment" uses panels of education experts to determine what resources are necessary to provide an adequate education in a prototypical school or schools and then establishes costs for those resources and extrapolates from the prototype(s) to estimate statewide costs.
- "Evidence-based" involves selecting proven strategies for increasing student achievement (e.g., full-day kindergarten, smaller class sizes K-3, collaborative professional development for teachers) and determining the incremental costs of implementing those strategies on a statewide scale.
- "Statistical analysis" or "Cost function" estimates costs based on a complex analysis of expenditures, student achievement, and student and district characteristics.

The different methodologies resulted in estimates of required increased statewide annual investment ranging from \$21 million to \$329 million.

Definition of “basic system of free quality public elementary and secondary schools” and list of “educationally relevant factors” from 20-9-309, MCA (emphasis added)

- (2) As used in this section, a “**basic system of free quality public elementary and secondary schools**” means:
- (a) the **educational program specified by the accreditation standards** provided for in 20-7-111, which represent the minimum standards upon which a basic system of free quality public elementary and secondary schools is built;
 - (b) **educational programs to provide for students with special needs**, such as:
 - (i) a **child with a disability**, as defined in 20-7-401;
 - (ii) an **at-risk student**;
 - (iii) a student with **limited English proficiency**;
 - (iv) a child who is qualified for services under 29 U.S.C. 794^[*]; and
 - (v) **gifted and talented children**, as defined in 20-7-901;
 - (c) educational programs to implement the provisions of Article X, section 1(2), of the Montana constitution and Title 20, chapter 1, part 5, through development of curricula designed **to integrate the distinct and unique cultural heritage of American Indians into the curricula**, with particular emphasis on Montana Indians;
 - (d) **qualified and effective teachers or administrators and qualified staff** to implement the programs in subsections (2)(a) through (2)(c);
 - (e) **facilities and distance learning technologies** associated with meeting the accreditation standards;
 - (f) **transportation** of students pursuant to Title 20, chapter 10;
 - (g) **a procedure to assess and track student achievement** in the programs established pursuant to subsections (2)(a) through (2)(c); and
 - (h) **preservation of local control** of schools in each district vested in a board of trustees pursuant to Article X, section 8, of the Montana constitution.
- (3) In developing a mechanism to fund the basic system of free quality public elementary and secondary schools and in making adjustments to the funding formula, the legislature shall, at a minimum, consider the following **educationally relevant factors**:
- (a) the **number of students in a district**;
 - (b) the **needs of isolated schools with low population density**;
 - (c) the **needs of urban schools with high population density**;
 - (d) the **needs of students with special needs**, such as a child with a disability, an at-risk student, a student with limited English proficiency, a child who is qualified for services under 29 U.S.C. 794, and gifted and talented children;
 - (e) the **needs of American Indian students**; and
 - (f) the **ability of school districts to attract and retain qualified educators and other personnel**.

* Commonly known as Section 504, 29 U.S.C. 794 prohibits discrimination based on disability and uses a broader definition of “disability” than in the Individuals with Disabilities Education Act (IDEA; 20 U.S.C. 1400 et seq.). Both federal laws require districts to provide FAPE, a “free and appropriate public education,” to students with disabilities.

End Result of 2005 Effort

The committee spent considerable effort on a proposal for a new funding formula, but to make a very long story very short, the proposal did not gain traction, and when the special session convened, the legislature opted for tweaking the existing funding formula by:

- providing a quality educator payment;
- providing an at-risk student payment;
- providing an Indian education for all payment;
- providing an American Indian achievement gap payment; and
- increasing the basic and per-ANB entitlements.

Back to Court

In 2008, the plaintiffs from Columbia Falls “1” filed a motion for supplemental relief alleging that the Legislature had failed to comply sufficiently with the previous court order. In his Columbia Falls “2” decision, Judge Sherlock reviewed the work of QSIC and the actions taken by the Legislature since 2005. Those who find school funding difficult to grasp may find commiseration from Judge Sherlock: “In reviewing the testimony in this case, the Court must reiterate the confounding complexity of Montana’s school funding system.”

In the end, the court declined to award any supplemental relief to the plaintiffs, finding that “the State is in the process

of making a good faith effort to preserve and protect Montana’s constitutional commitment to a sound public education system.” In noting the improvements made since 2005, Judge Sherlock acknowledged some areas of continuing concern. Special education funding was one. Judge Sherlock questioned whether state appropriations for special education had kept up with increased costs and whether regular and special education were competing for general fund dollars. He also mentioned problems with recruitment and retention of teachers in Montana’s rural and isolated school districts. Several times Judge Sherlock emphasized the need for the funding formula to be more clearly based on actual costs.

Toward the Future

Since 2008 numerous changes have been made to Montana’s school funding formula. One of these changes was Senate Bill 175 in the 2013 session, which was referred to in the press as a “historic rewrite” of public school funding. While the fundamental purpose of public education has not changed over time, the public’s understanding of learning, the role of technology, and concerns about safety have changed public schools dramatically in the past decades. The intent of a decennial school funding study seems to be to ensure that school funding gets a close examination with some regularity. The 2015-2016 School Funding Interim Commission has its work cut out! To follow these efforts, visit www.leg.mt.gov/sfc.

Montana Public Schools by the Numbers

Number of kindergarten through 12th grade pupils statewide: **144,532**

Percent of statewide pupils enrolled in Billings Public Schools: **11.4%**

Number of operating school districts: **406**

Number of schools: **824**

Total bus route miles in 2013-2014: **17,181,526**

Total bus route miles in equivalent trips around the Earth: **690**

State revenue to district general funds: **\$664,070,829**

Percent of district general fund paid by state: **63.8%**

Statewide per-pupil expenditures: **\$10,874.10**

Graduation rate: **85.4%**

All data from the most recent year available in GEMS* as of June 4, 2015.

*If asked for a password, hit “cancel” and the website will pop up.